

The American Funds Roth IRA Disclosure Statement

If you did not receive this disclosure statement at least seven days before establishing your Roth Individual Retirement Account ("Roth IRA"), you may revoke your Roth IRA. Your Roth IRA is established and accepted on the date you execute the American Funds Roth IRA Application form. To revoke your Roth IRA, you must provide written notice of revocation within seven days after your Roth IRA is established. The notice of revocation may be mailed to Capital Guardian Trust Company, P.O. Box 4600, Brea, CA 92622-4600. The revocation will be considered given as of the postmark date. Upon revocation the entire amount of your contribution will be returned to you without adjustment for administrative expenses or fluctuations in market value.

The following is a brief summary of some of the financial and tax consequences of establishing a Roth IRA.

I. CONTRIBUTIONS TO THE ROTH IRA

1. Limitation on Amount of Contributions. Contributions to your Roth IRA may be either "Conversion" contributions (refer to Section I.4 below), transfers from another Roth IRA, or regular cash contributions.

Contributions to your Roth IRA, when aggregated with your IRAs, cannot exceed \$2,000 or 100% of compensation, whichever is less, per year. If you contribute to an IRA or Roth IRA on behalf of your unemployed spouse, this limit is increased to \$4,000 for all IRAs or Roth IRAs together. You may continue to make contributions to your Roth IRA even after attaining age 70½.

You are eligible to make contributions to a Roth IRA if you are a single tax filer with less than \$110,000 in adjusted gross income or if you are married and a joint tax filer with less than \$160,000 of adjusted gross income. Participation in an employer-sponsored retirement plan does not affect your ability to make Roth IRA contributions. If you contribute to a Roth IRA on behalf of a nonworking spouse, your adjusted gross income must be less than \$160,000.

2. Deductibility of Contributions. Contributions made to your Roth IRA are not deductible.

3. Excess Contributions. If you contribute to your Roth IRA, in any calendar year, an amount in excess of the amount allowable (adjusted for any distributions from the Roth Account for such taxable year), you may withdraw such excess together with any applicable earnings on or before the due date, including extensions, for your federal tax return for the year in which excess contributions are made. Excess amounts not withdrawn will be subject to an annual 6% excise tax.

4. Rollover from an IRA to a Roth IRA. You may convert an existing IRA, or transfer a portion of that IRA as a "Conversion" into a Roth IRA, provided your adjusted gross income for the taxable year does not exceed \$100,000, you are not a married individual filing a separate tax return, and the "Conversion" meets the requirements for a rollover contribution discussed in Section I.1 above. Upon transferring or converting your IRA, you will be required to pay income tax on the amount you

transferred or converted. The excise tax for premature distribution will not apply to the transfer or conversion. For a transfer or conversion completed before January 1, 1999, any amount required to be included in your gross income will be ratably included over four taxable years and the income taxes you must pay will be spread over those four taxable years.

5. Rollover from a Roth IRA to another Roth IRA. The proceeds of your Roth IRA may be used as a rollover contribution to another Roth IRA. Rollovers from the same Roth IRA may occur no more than once in a one-year period.

6. Investment of Contributions. Under the terms of the Trust Agreement, your contributions will be invested by the Trustee, Capital Guardian Trust Company, in accordance with your written instructions or the written instructions of your employer on your behalf if you are a participant in a payroll deduction plan. These investment instructions must direct the Trustee to invest your contributions to the Roth IRA in shares of the mutual fund you designate. If you fail to make such designation, your contribution will be invested in The Cash Management Trust of America until the Trustee receives from you a proper designation. No part of your Roth IRA will be invested in life insurance contracts.

The Trust Agreement provides that your entire interest in the assets held in your Roth IRA is nonforfeitable at all times and that such assets will not be commingled with other property.

II. DISTRIBUTIONS FROM THE ROTH IRA

1. Taxation/Penalty Taxation of Roth IRA Distributions. Distributions which are “qualified distributions” are not taxable. “Qualified distributions” are distributions made from your Roth IRA more than 5 years after you establish your Roth IRA or 5 years after a Conversion contribution was made (for distributions allocable to the rollover), if made after your reaching age 59½, your death or disability, or if used for certain first-time home-buying expenses. Distributions which are not qualified distributions will be excludible from your income to the extent the amount of the distribution does not exceed the aggregate amount you contributed to your Roth IRA. Any other distributions are treated as taxable income to you and may be subject to a premature distribution tax.

2. Required Distributions. While you are alive, there are no required distributions from your Roth IRA. Distributions upon your death must be paid out in a five-year period, they must be paid out in a five-year period, with the following two exceptions: 1) benefits may be paid out over the life expectancy of a nonspouse beneficiary, provided such benefits begin no later than December 31 of the year following the year of death and 2) your spouse, as beneficiary, may treat the Roth IRA as his or her own by making a contribution or by completing a new Application.

3. Estate and Gift Taxes. Upon your death, distributions from your Roth IRA are subject to federal estate taxes under §2039(a) of the Internal Revenue Code unless the Roth IRA is left to a surviving spouse in a form which qualifies the bequest for the unlimited marital deduction. For gift tax purposes, beneficiary designations will not be treated as gifts. In addition, contributions to an IRA for a spouse who has no earned income will qualify for the annual \$10,000 exclusion as a present interest gift.

III. TAX STATUS OF TRUST ROTH IRA

1. Tax-Exempt Status. Generally, any earnings held in your Roth IRA are exempt from federal income tax and will only be taxed when distributed to you, unless the tax-exempt status of the plan is revoked. IRS approval of this Roth IRA is pending. Such approval is a determination as to the Roth IRA terms only and is not a determination of the merits of the Roth IRA as an investment.

2. Loss of Exemption. The tax-exempt status of the Roth IRA will be revoked if you engage in any of the prohibited transactions listed in §4975(c) of the Internal Revenue Code, such as borrowing money from the Roth IRA. To the extent the fair market value of the Roth IRA exceeds aggregate contributions made to your Roth IRA, such value will be includable in your taxable income in the year in which such prohibited transaction takes place and may also be subject to a 10% penalty tax.

In addition, the Roth IRA will lose its tax-exempt status if you use all or part of your interest in the Roth IRA as security for a loan. Any portion of the Roth IRA used as security for a loan will be treated as a distribution in the year in which such use occurs. If you are under age 59½, the amount of the loan will also be subject to a 10% tax penalty as a premature distribution.

VI. ADDITIONAL TAX INFORMATION

1. For years in which you received premature distributions, you may be required to file with the IRS Form 5329 “Return for Additional Taxes Attributable to Qualified Retirement Plans (including IRAs), Annuities and Modified Endowment Contracts” along with your individual tax return for that year.

2. Further information about your Roth IRA can be obtained from any district office of the IRS.

V. FINANCIAL INFORMATION

To calculate earnings on the Roth IRA, reinvested dividends and capital gain distributions are purchased at net asset value (“NAV”) on the reinvestment date. The number of shares in the Roth IRA at the end of the period is multiplied by the NAV per share at the end of the period to determine the ending value. The difference between the ending value and the initial investment equals the earnings for the period.

If \$1,000 is invested in any fund other than The Cash Management Trust of America (“CMTA”) or The U.S. Treasury Money Fund of America (“CTRS”) and a reduced sales charge is not available, the highest sales charge would be \$57.50, or 5.75% of the contribution. See the prospectus of each fund for further details. If \$1,000 is invested in CMTA or CTRS, no sales charge would be imposed. In addition, there is a \$10 annual trustee fee. The future growth results of your investment in mutual fund shares cannot be guaranteed or projected.